- Strong demand for appliances in Latin America during 2004 resulted in a 14.9% increase in unit volumes versus 2003. Economic conditions within Brazil were strong during 2004, driven by GDP expansion, lower unemployment and positive real wage growth. Sales increased 24% in the region during 2004 and were up approximately 20%, excluding currency, due to market share gains, strong volume, price increases and favorable product mix. During 2003, appliance unit volumes in Latin America declined 2.7% versus 2002, due primarily to the weak economic environment in the region. Overall industry demand in Brazil declined by 11% for the year. In 2003, the region's sales increased 6.7% and increased approximately 9% excluding currency impact when compared to 2002, mainly the result of price increases necessitated by higher material costs.

- During 2004, Asia's unit volumes declined 8.6% versus 2003, with a corresponding decline in net sales of 8.2%. Excluding currency, net sales declined approximately 12%. The decision by management to implement a trade inventory reduction strategy in India negatively impacted 2004 volume and sales. The strategy change will improve the speed, flexibility and overall efficiency within sales and distribution processes, and will enable the Company to launch new product introductions more frequently and faster to the market. During 2003, Asia's unit volumes increased 2.9% over 2002, while net sales increased by 6.6%. Excluding currency impact, net sales increased approximately 1%. The region experienced a number of challenges, which negatively impacted its performance, including significant pricing pressures in China and India.

Gross Margin

The consolidated gross margin percentage in 2004 decreased 90 basis points versus 2003, primarily due to second-half material cost increases and global pricing pressures. These costs were somewhat mitigated by higher volume and record levels of controllable productivity. The consolidated gross margin percentage declined 60 basis points in 2003 versus 2002, due primarily to higher U.S. pension and medical expenses coupled with reduced Befiex credits, an increase in expense due to the decline of the U.S. dollar and higher material costs in Latin America. The higher expense was partially offset by productivity improvements in North America and Europe and lower restructuring and related expense.

Significant regional trends were as follows:

- North American gross margin decreased 70 basis points compared to 2003, primarily due to elevated material costs for steel and resins. In addition, the market continued to experience competitive pricing during 2004. Margin declines were partially offset by higher volume, productivity improvements and some price increases. The decline in 2003 versus 2002 was due to increased pension and medical expense, partially offset by productivity improvements.

- European gross margin improved slightly in 2004 versus 2003 as productivity improvements and volume leverage more than offset pricing pressure. In 2003, the gross margin increased from 2002 levels due to an improvement in the product and brand mix and productivity improvements, partially offset by pricing pressures. European operations continue to realize savings from ongoing restructuring efforts in Europe.

- In 2004, Latin American gross margin declined versus 2003, primarily due to increased material costs for steel and resins. Higher costs were partially offset by increased volume and price increases on both appliances and compressors and favorable product mix. The 2003 gross margin declined versus 2002 due to significantly higher material costs and reduced Befiex credits. The decline was partially offset by higher appliance pricing. Price increases throughout the year helped mitigate the margin erosion, but were not enough to offset the increase in material costs.

- Asian gross margin declined in 2004 versus 2003, primarily due to the trade inventory reduction strategy in India and regional pricing pressures. Asian gross margin decreased in 2003 versus 2002, due to significant pricing pressure across the region and unfavorable product mix.

C61